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United Nations pension system

United Nations Joint Staff Pension Fund

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board on its sixty-fifth session (A/73/9), the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/73/3), the report of the Board of Auditors on the financial report and audited financial statements of the Fund for the year ended 31 December 2017 (A/73/5/Add.16) and the report of the Secretary of the Pension Board and the Representative of the Secretary-General for the investment of the assets of the Fund on the implementation of the recommendations of the Board of Auditors (A/73/342). In addition, the Committee had before it a note by the Secretary-General on the membership of the Investments Committee.

2. During its consideration of those documents, the Advisory Committee met with the Chairman of the Pension Board, the Acting Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investment of the assets of the Fund, who provided additional information and clarification, concluding with written responses received on 31 October 2018.

3. In the summary of the operations of the Fund for the biennium 2016–2017 contained in chapter III of the report of the Pension Board, it is indicated that the number of participants in the Fund decreased from 126,892 to 126,736, or 0.1 per cent,[1] that the number of periodic benefits in award increased from 71,474 to 78,247, or 9.4 per cent, and that those benefits were provided to retirees and other

[1] The methodology used for the calculation of participants was changed as from 31 December 2017. According to the prior methodology, the number of participants at the end of 2017 would have been 129,534, amounting to a 1.9 per cent increase over the biennium.

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beneficiaries of the 23 member organizations.[2] The net assets available for benefits increased during the biennium from $54.4 billion to $64.3 billion. Benefit payments and expenses amounted to $5.3 billion over the same period, with benefit payments exceeding contributions by $505 million (see A/73/9, paras. 15–19, and annex VIII).

II. Administration and governance

Payment of benefits

4. In its report, the Board of Auditors indicates that the Fund internally divides benefit processing cases into two categories: actionable and non-actionable cases. The Fund considers the cases that are received with the core required documents as actionable cases and the other cases as non-actionable cases. The Board notes that, in 2017, a total of 15,125 cases were considered actionable, of which 9,588 cases were processed, leaving 5,537 cases to be processed (see A/73/5/Add.16, chap. II, paras. 21–23 and table II.1).

5. With regard to the 9,588 processed cases, the Board of Auditors acknowledges an improvement in the speed with which cases were processed in 2017: 5,960 cases, or 62 per cent, were processed within the prescribed time limit of 15 business days, compared with 27 per cent in 2016 (the internal target being 75 per cent). The Board found, however, that among the 38 per cent of cases requiring more than 15 business days to process, some were significantly delayed. For instance, 224 actionable cases had been resolved with a delay of six months and 303 cases with a delay of more than a year (ibid., paras. 23 and 24 and table II.1). Consequently, the Board recommends that the Fund process those cases that have been pending for a long time, on a priority basis and in a time-bound manner. The Fund accepted this recommendation of the Board of Auditors together with all of its other recommendations. **While acknowledging the progress in the speed with which cases are processed, the Advisory Committee notes a continued delay in the receipt of payment by some retirees and beneficiaries of the Fund. The Committee also notes that previous recommendations of the Board regarding the need to process cases within specific and well-defined time frames are still under implementation (see A/70/325, annex VI, chap. II, para. 53 A/71/5/Add.16, chap. II, para. 110; A/72/5/Add.16, chap. II, para. 101; and section IV below).**

6. The Advisory Committee was informed, upon enquiry, that the increase in the number of outstanding cases in 2017 reflected the fact that many separated staff members had deferred their decision on the election of benefit payment in view of the prospect of being rehired until age 65. According to the secretariat of the Fund, of the 5,537 cases outstanding as at 31 December 2017, there were 3,143 such cases pertaining to deferment of choice (see A/73/5/Add.16, chap. II, table II.2). **The Committee notes that the remaining 2,394 cases included cases which have been outstanding for many years and reiterates that all efforts should be made to reduce the backlog of cases to an absolute minimum by addressing the causes of delays in the payment of benefits, which tend to put retirees and other beneficiaries in stressful and vulnerable situations (see A/71/621, para. 6, and A/73/5/Add.16, chap. II, para. 28).**

7. With regard to non-actionable cases, the Board notes that, as at 31 December 2017, 12,982 workflows remained opened because of various issues in the Integrated

[2] The list of the member organizations of the Fund is contained in annex I to the report of the Pension Board (A/73/9).

Pension Administration System (see A/73/5/Add.16, chap. II, paras. 33–38).[3] To resolve these issues, the Board recommends that the Fund undertake a data cleansing exercise to identify and close workflows when possible and conduct an audit of the System to identify its deficiencies. Upon enquiry, the Advisory Committee was informed that those recommendations were in the process of being implemented. The Committee was also informed that, as a result of the data cleansing exercise and the implementation of mitigating measures, the number of open workflows in the Integrated Pension Administration System had decreased from 12,982 to 2,799 between 1 January and 30 September 2018 (annex I to the present report contains information on the status of open workflows). In terms of the System audit, the Committee was informed that the Fund intended to follow a three-phased approach, as follows: (a) identification of any differences between the original requirements for the Integrated Pension Administration System and the implemented solutions; (b) review of the new functionalities of the upgraded version of the System proposed by the vendor to compare them with the current functionalities; and (c) development of the terms of reference of the System audit to engage a suitable auditor with the support of the Procurement Division. The third phase is scheduled for completion in the second half of 2019. **The Committee concurs with the recommendations of the Board of Auditors on the Integrated Pension Administration System and welcomes the progress made in reducing the number of open workflows in the System in 2018. The Committee trusts that the audit of the System will be undertaken as soon as possible to help reduce its deficiencies. The Committee notes, however, that a previous recommendation on improvement of the System is still under implementation and recalls that the General Assembly, in its resolution 72/262 A, noted with concern the issues regarding the implementation of the System and requested the Pension Board to address all the pending issues (see A/72/5/Add.16, chap. II, para. 92, and section IV below).**

8. The Board of Auditors also found that, as at 31 December 2017, an additional number of 16,427 cases remained non-actionable owing to the non-receipt of documents from member organizations. In this regard, the Board of Auditors recommends that the Fund engage with the member organizations to resolve the transmission issues and develop a system for receiving the required documents through a secure electronic interface (see A/73/5/Add.16, chap. II, paras 46 and 47). The Advisory Committee was informed, upon enquiry, that the number of such cases had decreased from 16,427 to 11,712 between 1 January and 11 September 2018 (annex II to the present report contains a breakdown of the cases). With regard to the development of a secure electronic interface, the Committee was informed that the Fund had established a joint team with the Secretariat of the United Nations, defined a solution for the presentation in the Integrated Pension Administration System of the status of the separation documents and held preliminary discussions with the software vendor who supported the development of the current interfaces.

9. The Board of Auditors also recommends that the Fund develop an automatic signature verification system to facilitate the certificate of entitlement process.[4] Upon enquiry, the Advisory Committee was informed that the Fund had issued a request for information from potential vendors in November 2017. A contract for the development of the automatic signature verification system was expected to be awarded in early 2019. The Committee was also informed that the savings that would be derived from the adoption of the system were estimated at $86,880 per year. **The Committee concurs with the recommendation of the Board of Auditors on the**

[3] According to the information provided by the secretariat of the Fund, not all workflows, following review, would become actionable cases.

[4] The certificate of entitlement is a form used by the Fund to verify the continuing eligibility of retirees and beneficiaries for the benefits they are receiving.

development of an electronic signature verification system and trusts that it will be implemented expeditiously. The Committee notes, however, that previous recommendations of the Board of Auditors on the establishment of this system and the improvement of the certificate of entitlement process have not been fully implemented (see A/69/9, annex X, para. 51, A/72/5/Add.16, chap. II, para. 118, and section IV below).

10. **The Advisory Committee recalls that the General Assembly, in its resolution 72/262 A, expressed concern at the continued delays in the receipt of payments by some new beneficiaries and retirees of the Fund. The Committee recommends that the General Assembly request the Secretary-General and the Pension Board to take concrete steps to address the relevant issues raised by the Board of Auditors in its current and previous reports.**

Actuarial valuation

11. In its report, the Pension Board indicates that an actuarial valuation of the Fund was carried out to ascertain the Fund's position as at 31 December 2017. The valuation revealed an actuarial deficit of $184.3 million (the difference between the projected liabilities of $146,049.7 million and the projected assets of $145,865.4 million) compared with the actuarial valuation surplus of $562.1 million as at 31 December 2015. The consulting actuary determined that the contribution of the participants would have to increase from 23.70 per cent of their pensionable remuneration to 23.75 per cent to compensate for the projected actuarial deficit (see A/73/9, tables 3 and 5). In view of various factors, including the increased market value of assets in 2017 and the fact that the Fund was close to actuarial balance, the Committee of Actuaries considered, however, that the present contribution rate of 23.7 of pensionable remuneration was sufficient to cover the long-term obligations of the Fund. The Pension Board noted the importance of future real investment returns, at the 3.5 per cent target level, on the results of the actuarial valuations, took note of the latest results and welcomed the fact that Fund remained near actuarial balance (see A/73/9, paras. 59, 66, 67 and 78). **The Advisory Committee trusts that all efforts will be made to ensure that the Fund continues to meet its long-term target of an annual real rate of investment return of 3.5 per cent, together with other target indicators, as deemed possible (see also paras. 16–18 below).**[5]

12. The Advisory Committee was provided, upon request, with information on withdrawal settlements, which showed that in 2017 a total of 3,630 participants (2,632 participants from the United Nations Secretariat and its funds and programmes and 998 participants from the specialized agencies) received withdrawal settlements after participation in the Fund for a period of less than five years. The contribution retained by the Fund as part of the withdrawal settlement[6] was estimated at $80.3 million (including $58.5 million from the United Nations Secretariat and the funds and programmes and $21.7 million from the specialized agencies). According to the information provided, if the Fund did not retain this contribution, the rate of contribution for participants would have to increase by 0.9 per cent of pensionable remuneration to compensate for this change. **The Committee intends to revert to this issue in future reports.**

[5] The nominal rate of investment return is inflation-adjusted to provide the real rate of investment return.

[6] The withdrawal settlement in this case is a lump sum payable to staff members whose participation in the Fund lasts less than five years corresponding to their contributions to the Fund, as deducted from their salaries. The contribution of their employing organizations, which represents twice the amount contributed by the staff members, is retained by the Fund.

Vacancy rate

13. The Advisory Committee was informed, upon enquiry, that 291 staff members were working in the Fund in October 2018, including 207 staff in the secretariat of the Fund and 84 staff in the Office of Investment Management. The overall vacancy rate for established posts was 10.5 per cent as at 30 September 2018, reflecting a vacancy rate of 8.5 per cent for Professional posts (including 8.2 per cent in the secretariat of the Fund and 8.8 per cent in the Office of Investment Management) and 12.4 per cent for General Service posts (including 14.5 per cent in the secretariat of the Fund and 3.6 per cent in the Office of Investment Management). **The Committee recalls that the General Assembly, in its resolution 72/262 A, noted with concern the high number of vacant posts and requested the Secretary-General and the Pension Board to take appropriate measures to fill all vacant posts. While acknowledging that the overall vacancy situation of the Fund has improved (see A/71/621, paras. 14 and 30–33), the Committee notes with regret a high level of vacant General Service posts in the secretariat of the Fund and expects that appropriate measures will be taken to fill all vacant posts expeditiously.**

Governance

14. In its report, the Pension Board recommends that the General Assembly approve amendments to the Regulations of the Fund comprising, in particular: (a) the inclusion in article 4 of a provision stating that the Board shall adopt its own rules of procedure; (b) a change to article 6 providing that staff members of the Fund shall not be eligible to serve on the Pension Board; and (c) an amendment to article 48 to clarify the scope of the jurisdiction of the United Nations Appeals Tribunal in relation to certain cases arising from the decisions of the Standing Committee of the Pension Board (see A/73/9, paras. 13 and 425–435).[7] **The Advisory Committee is of the view that the adoption of the proposed amendments to the Regulations of the Fund would have legal consequences, and therefore trusts that these amendments will be considered by the appropriate bodies of the General Assembly. The Committee notes that, pursuant to General Assembly resolution 72/256, the proposed changes to the jurisdiction of the United Nations Appeals Tribunal over decisions of the Standing Committee, as reflected in the proposed amendments to the statute of the United Nations Appeals Tribunal, would be considered by the Sixth Committee of the General Assembly at the current session (see A/73/217/Add.1 and A/73/428, para. 5).**

15. In its report, the Pension Board indicates that, pursuant to General Assembly 72/262 A, the Office of Internal Oversight Services has issued a report on a comprehensive audit of the governance structure and related processes of the Pension Board (see A/73/9, paras. 339–352, and A/73/341). **The Advisory Committee considers the report of the Office of Internal Oversight Services to be under the direct purview of the General Assembly.**

[7] In judgments 2017-UNAT-801, *Faye v. UNJSPB*, and 2017-UNAT-807, *Rockcliffe v. UNJSPB*, the United Nations Appeals Tribunal found that, on the basis of the current article 48 of the Regulations, it was competent to hear and pass judgment on appeals alleging the non-observance of all of the Regulations of the Fund, including article 6, and decided that staff members of the Fund should be allowed to participate in the Pension Board as elected members (see A/73/9, paras. 438 to 440).

III. Investments of the Fund

Performance of the Fund

16. The Board of Auditors indicates that, in 2017, the total assets of the Fund increased from $54.73 billion to $64.78 billion and that investment income was $10.24 billion and the real rate of return was 16.5 per cent (see A/73/5/Add.16, chap. II, summary).[8] Taking into account the total liabilities of $411.29 million, the net assets available for benefits amounted to $64.37 billion as at 31 December 2017.[9] In his report on the investments of the Fund, the Secretary-General indicates that, as at the same date, the Fund had successfully met or exceeded its real rate of return objective for long-term investments of 3.5 per cent over the past 1, 2, 3, 5, 15, 20, 25 and 50 years (see A/C.5/73/3, para. 4).[10]

17. The Secretary-General also indicates that the Fund's nominal return of 18.6 per cent exceeded the return of its policy benchmark of 18.1 per cent over the past year, but was lower than the policy benchmark over the past two years. Figure II of the report shows that the Fund's return exceeded the policy benchmark in 10 of the last 18 reporting cycles. The Advisory Committee was informed, upon enquiry, that, according to the Office of Investment Management, the in-house management of assets was a better model than relying on external index trackers, considering that the Fund was a low-cost active investment entity with specific restrictions related to tobacco and armaments.[11] In a related matter, the Board of Auditors indicates in its report that the investment income of $10.24 billion in 2017 reflected mostly an appreciation in the fair value of investments of $9.08 billion (see A/73/5/Add.16, chap. II, para. 10).

18. **The Advisory Committee welcomes the investment performance of the Fund in 2017 and recommends that the General Assembly request the Secretary-General to include detailed information on the long-term strategy, performance and factors affecting this performance in the next report on the investments of the Fund. The Committee recalls that the General Assembly, in its resolutions 71/265 and 72/262 A, emphasized the importance of the Fund meeting its target annual real rate of return of 3.5 per cent.**

Foreign currency exposure

19. The Board of Auditors observes that the Fund gained $1.68 billion on account of foreign currency fluctuation in 2017, while it suffered losses (totalling $4.68 billion) on the same account from 2013 to 2016. The currency impact on the Fund's return over 3, 5 and 10 years was -0.43 per cent, -1.68 per cent and -0.91 per cent, respectively. The Board notes that, as at 31 December 2017, 44 per cent of the total investments of the Fund were in currencies other than the United States dollar, which exposed the Fund to foreign currency risks.

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[8] According to the report of the Pension Board and the report of the Secretary-General on the investments of the Fund, the real rate of return was 16.2 per cent in 2017 (see A/73/9, para.107, and A/C.5/73/3, para. 37).

[9] See chapter V of the report of the Board of Auditors (A/73/5/Add.16), which contains the financial statements of the Pension Fund for 2017.

[10] The Fund did not meet its real rate of return objective over the past 10 years (see A/C.5/73/3, figure I).

[11] Table 6 of the report of the Secretary-General on the investments of the Fund (A/C.5/73/3) shows that, in terms of equities, the Fund has outperformed the Morgan Stanley Capital International (MSCI) All Country World Index in only 4 of the 11 last reporting cycles. The Index can be regarded as a benchmark.

20. The Board also notes that the Fund conducted a formal currency study in 2017, as the result of which it was recommended that currency exposure relative to liabilities be reduced to the extent possible, taking into account cost-effectiveness and operational feasibility, and that details of the currency composition of the liabilities be included in the next asset and liability management study. The Board of Auditors recommends that the Fund take expeditious action on the recommendations of the currency study, expedite the asset and liability management study for alignment of its currency exposure with liabilities and evolve suitable strategies and an action plan to manage the foreign currency risks (see A/73/5/Add.16, chap. II, paras. 72–80).

21. The Advisory Committee was informed, upon enquiry, that the objective of the Office of Investment Management was to optimally manage currency exposures by taking advantage of the global diversification of its assets portfolio and minimizing uncompensated currency exposure. The Fund does not currently use active currency hedging, but it has commissioned a third-party study analysis comparing hedged and unhedged indices and indexes over the period 1990–2017. This analysis will be used when reconsidering the benchmark for fixed income. Moreover, in October 2018, the Office of Investment Management changed its benchmark for the cash portfolio to the United States dollar only, in contrast to the old benchmark which was based equally on the euro and the dollar. According to the Office, this change would eliminate uncompensated currency exposure in the cash portfolio. The Committee was also informed, upon enquiry, that the Office had expedited the process of selecting a consultant to conduct the asset and liability management study. The study is expected to be finalized in July 2019. As recommended by the Board of Auditors, the Office intends to use the results of this study to evolve suitable strategies, as appropriate, and an action plan to manage the foreign currency risks. **The Committee trusts that both studies will be conducted expeditiously and their results implemented promptly in order to minimize the risks related to the foreign currency exposure of the Fund and that information on these matters will be included in the next report of the United Nations Joint Staff Pension Board.**

Trade order management system

22. The Board of Auditors indicates that the Fund has adopted the Bloomberg Asset and Investment Manager as its trade order management system, and that it was selected through a non-competitive process. The contract was issued as a stop-gap arrangement for a three-year period from July 2015 to July 2018, subject to the undertaking of a competitive bidding process. The Advisory Committee was informed, upon enquiry, that the Headquarters Committee on Contracts had recommended in favour of the proposal for the trade order management system from Bloomberg, which was approved by the Representative of the Secretary-General at a cost of $2.6 million.[12] Subsequently, the Headquarters Committee on Contracts recommended a proposed extension of the contract for an additional period of four years at an additional cost of $21 million.[13] The Board considers that the failure to formulate the request for proposal even after the completion of the original contract period for the stop-gap arrangement and the extension of the contract by a further period of two plus two years, reflect the need for better procurement planning in the Fund. The Board recommends that the Fund properly plan and execute the acquisition of critical software. The Committee was informed, upon enquiry, that the Office of Investment Management was preparing the statement of work for the replacement of

[12] The procurement was made under financial rule 105.16 (a)(i), which applies to a situation in which there is no competitive marketplace for the requirement or where the requirement involves a proprietary product or service.

[13] The procurement was made pursuant to financial rule 105.13 (b), which applies to the amendments of contracts previously reviewed by the Headquarters Committee on Contracts.

the existing trade order management system and, in conjunction with the Procurement Division, would launch the pre-encumbrance process in late 2018.

Fraud risk assessment

23. In its report, the Board of Auditors indicates that, in accordance with the information circular on the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25) issued in September 2016, systematic fraud risk assessments should be undertaken by the Fund. The Board notes that the Office of Investment Management has not yet carried out such an assessment. The need to review the control environment with regard to the use of information technology is particularly stressed by the Board, which recommends that the Fund conduct a fraud risk assessment of its investment management to identify the vulnerable areas and develop a suitable mitigation strategy. In the report on the implementation of the recommendations of the Board of Auditors, it is indicated that the Office of Investment Management will conduct an internal fraud risk assessment with the support of the Office of Internal Oversight Services. The assessment is scheduled to be completed in the second quarter of 2019 (see A/73/342, para. 36).

24. **The Advisory Committee concurs with the recommendations of the Board of Auditors related to the management of the Fund's investments, including the recommendation to conduct a fraud risk assessment, and trusts that they will be implemented expeditiously.**

Diversification of investments

25. Paragraphs 6 to 13 of the report of the Secretary-General on the investments of the Fund (A/C.5/73/3) provide information on the asset allocation by class of assets as at 31 December 2017. Table 1 of the report is reproduced below.

Asset allocation as at 31 December 2017

(Percentage)

	Strategic asset allocation		*Tactical tilt*	
Asset class	*Range*	*Policy*	*Range*	*Actual*
Global equities	50–69	58.0	52–64	61.98
Real assets	3–10	9.0	4–10	6.54
Alternative investments	0–10	5.0	2–8	3.55
Global fixed income	19–37	26.5	22–31	24.54
Cash and short term	0–6	1.5	0–6	3.40
Total	**100**			**100**

26. The Secretary-General indicates that, as at 31 December 2017, the asset allocation in global equity represented almost 62 per cent of the Fund's investments, compared with a target of 58 per cent. He indicates that the overweight in global equity is temporary, owing to the current underweight positions in alternative investments and real assets. He also indicates that the allocation in alternative investments included a commitment of $4.6 billion to 54 private equity funds managed by 34 managers.

27. With regard to fixed income, which represented 24.5 per cent of the assets of the Fund as at 31 December 2017, the Advisory Committee was provided with information showing that those assets had underperformed their benchmark over the past 5, 7 and 10 years. In his report, the Secretary-General indicates that 42.1 per cent

of the fixed-income portfolio was invested in United States dollars, compared with 55.8 per cent for the totality of the Fund's direct investments. As mentioned in paragraph 21 above, the Fund intends to use the results of a forthcoming study on hedging to reconsider the benchmark for fixed income.

28. In terms of geographical diversification, the Secretary-General indicates that, as at 31 December 2017, the Fund's assets were allocated as follows: 50.6 per cent in North America, 22.8 per cent in Europe and 19.2 per cent in Asia and the Pacific. The Fund had investments in 100 countries, including an investment of $6.62 billion in developing countries, which represents an increase of $770 million, or 13.1 per cent, compared with 2016 (see A/C.5/73/3, paras. 32 and 34, and A/73/5/Add.16, para. 192). Information on the geographical diversification of the Fund is contained in annex III to the present report.

29. **The Advisory Committee welcomes the efforts to enhance the Fund's investment profile and recalls that the General Assembly, in its resolution 72/262 A, requested the Secretary-General to continue to diversify its investments between developed, developing and emerging markets, wherever this serves the interests of the participants and the beneficiaries of the Fund, and to ensure that decisions concerning the investments of the Fund in any country are implemented, taking fully into account the four main criteria for investments, namely safety, profitability, liquidity and convertibility.**

IV. Implementation of the recommendations of the Board of Auditors

30. In the course of its audit of the Fund for 2017, the Board of Auditors followed up on 41 outstanding recommendations and noted that 20 of them (or 48.8 per cent of the total) had been fully implemented, 19 were still under implementation and 2 had not been implemented. The Board also noted an improvement compared with 2016, when only 19 per cent of its recommendations had been fully implemented. The Board observed, however, that a number of important recommendations were still under implementation (see A/73/3/Add.16, chap. II, paras. 6 and 7).

31. In the report of the Secretary of the Pension Board and the Representative of the Secretary-General for the investment of the assets of the Fund on the implementation of the recommendations of the Board of Auditors, it is indicated that the 17 recommendations contained in the report of the Board for 2017 (including 8 recommendations for the secretariat of the Fund and 9 recommendations for the Office of Investment Management) would be implemented in 2019 and 2020. It is also indicated that 20 outstanding recommendations from previous periods (including 12 recommendations for the secretariat of the Fund and 8 recommendations for Office of Investment Management) would be implemented as follows: 2 recommendations in 2018, 17 recommendations in 2019 and 1 recommendation in 2020 (see A/73/342, paras. 39–80).[14] **The Advisory Committee stresses again the importance for the Fund and the member organizations to implement all recommendations made by the Board of Auditors in its current and previous reports expeditiously (see A/71/621, para. 44, and A/72/7/Add.23, para. 52).**

[14] The recommendation contained in A/72/5/Add.16, chapter II, paragraph 118, in which the Board recommended that the Fund review the process of obtaining the certificate of entitlement and the suspended cases that are on hold for a longer period, is considered by the Fund as under implementation and by the Board as implemented.

V. Membership of the Investments Committee

32. Article 20 of the Regulations of the Pension Fund stipulates that the members of the Investments Committee shall be appointed by the Secretary-General after consultation with the Pension Board and the Advisory Committee, subject to confirmation by the General Assembly. Accordingly, the Secretary-General conveyed to the Pension Board and to the Advisory Committee the proposal to convert the ad hoc appointments of two Committee members into regular appointments for a three-year term beginning on 1 January 2019. In accordance with established procedures, the Advisory Committee conveyed its views on the proposal in a letter to the Secretary-General dated 15 October 2018.[15]

33. The Advisory Committee was informed, upon enquiry, that pursuant to article 20 of the Regulations of the Pension Fund, the Investments Committee shall consist of nine members. The Committee recalls that it concurred with the concerns expressed by the Pension Board regarding the geographical representation of the Investments Committee and the process of identifying candidates. **The Committee trusts that further efforts will be made to identify potential candidates from all regional groups (see A/71/621, para. 20, and A/72/7/Add.23, para. 55).**

VI. Conclusion

34. A draft resolution proposed for adoption by the General Assembly is annexed to the report of the Pension Board, together with proposed amendments to the Regulations of the Pension Fund (A/73/9, annexes XVIII and XI).

35. **The Advisory Committee recommends that the General Assembly take note of the report of the United Nations Joint Staff Pension Board and the report of the Secretary-General on the investments of the Fund, subject to its comments and recommendations above.**

36. **The Advisory Committee recommends that the General Assembly approve an exception to article 15 (b) of the Regulations of the Fund to effect a change from a biennial to an annual budget for the Fund on a trial basis, subject to the follow-up review by the Secretary-General in 2022 and the review by the General Assembly at its seventy-seventh session.**

[15] The Advisory Committee was informed on 23 October 2018 that the Secretary-General intended to proceed with the nomination of one Investment Committee member and to revert at a later date to the nomination of the other, following further consultations.

Annex I

Status of open workflows

Item	*Number of open workflows as at 31 December 2017*	*Number of open workflows as at 30 September 2018*
Participant account to be identified	134	86
Linked to estimate	61	55
Benefit calculation completed	10 189	369
Benefit paid	2 362	1 998
Death in service case to be closed	236	291
Total	**12 982**	**2 799**

Annex IV

Count of open workflows with missing separation documents as at 11 September 2018 by employer organization

Employer organization	*Both separation personnel action and payment instruction received*	*Only payment instruction received*	*No documents received*	*Only separation personnel action received*	*Both separation personnel action and separation notification received*	*Only separation notification received*	*Total*
United Nations	363	152	101	933	1 151	239	**2 939**
UNHCR	45	41	20	933	897	487	**2 423**
UNICEF	22	17	6	768	443	154	**1 410**
UNDP	82	70	31	294	700	175	**1 352**
WHO/IARC/PAHO	11	11	17	982	124	65	**1 210**
FAO/WFP	3	2	10	150	649	290	**1 104**
ILO	5	1	13	416	33	23	**491**
UNESCO	3	3	4	94	25	50	**179**
IOM		5	7	48	9	40	**109**
IAEA	1	4	7	5	44	36	**97**
UNOPS	1	15		7	58	14	**95**
ICC	1	1	4	15	22	29	**72**
ITU			1	24	6	14	**45**
ICAO	1	1	2	9	13	7	**33**
UNIDO			1	24	3	5	**33**
UNRWA				4	20	4	**28**
IFAD	3	3		10	8	3	**27**
WIPO		1	1	3	10	7	**22**
WMO				5	4	4	**13**
IMO			1	3	5	2	**11**
STL			1		4	6	**11**
WTO					2	3	**5**
UNIDEP			1				**1**
IPU						1	**1**
ICGEB						1	**1**
Total	**541**	**327**	**228**	**4 727**	**4 230**	**1 659**	**11 712**

Abbreviations: FAO, Food and Agriculture Organization of the United Nations; IAEA, International Atomic Energy Agency; IARC, International Agency for Research on Cancer; ICAO, International Civil Aviation Organization; ICC, International Criminal Court; ICGEB, International Centre for Genetic Engineering and Biotechnology; IFAD, International Fund for Agricultural Development; ILO, International Labour Organization; IMO, International Maritime Organization; IOM, International Organization for Migration; IPU, Inter-Parliamentary Union; ITU, International Telecommunication Union; PAHO, Pan American Health Organization; STL, Special Tribunal for Lebanon; UNDP, United Nations Development Programme; UNESCO, United Nations Educational, Scientific and Cultural Organization; UNHCR, Office of the United Nations High Commissioner for Refugees; UNICEF, United Nations Children's Fund; UNIDEP, African Institute for Economic Development and Planning; UNIDO, United Nations Industrial Development Organization; UNOPS, United Nations Office for Project Services; UNRWA, United Nations Relief and Works Agency for Palestine Refugees in the Near East; WFP, World Food Programme; WHO, World Health Organization; WIPO, World Intellectual Property Organization; WMO, World Meteorological Organization; WTO, World Tourism Organization.

Annex III

Geographical diversification of the assets of the Fund as at 31 December 2017 by country

Region	*Equities*	*Percentage*	*Fixed income*	*Percentage*	*Short-term*	*Percentage*	*Liquid*	*Percentage*	*Real assets*	*Percentage*	*Alternatives*	*Percentage*	*Total fund*	*Percentage*
North America														
Canada	1 257 860 031	1.96	800 509 651	1.25			1 479 297		96 976 644	0.15			2 156 825 623	3.36
United States of America	18 668 856 592	29.11	5 069 319 959	7.90	780 832 193	1.22	513 080 260	0.80	2 560 439 921	3.99	637 804 142	0.99	28 230 333 068	44.02
External small cap	1 896 904 435	2.96											1 896 904 435	2.96
North America region									34 349 554	0.05	135 687 805	0.21	170 037 359	0.27
Subtotal	**21 823 621 058**	**34.03**	**5 869 829 610**	**9.15**	**780 832 193**	**1.22**	**514 559 557**	**0.80**	**2 691 766 120**	**4.20**	**773 491 947**	**1.21**	32 454 100 484	**50.60**
Europe														
Austria			80 053 063	0.12									80 053 063	0.12
Belgium	67 098 306	0.10	141 631 696	0.22									208 730 002	0.33
Denmark	111 364 465	0.17	16 825 776	0.03	3 215 885	0.01	(243)						131 405 883	0.20
Euro							135 507 747	0.21					135 507 747	0.21
Finland	120 871 454	0.19	141 812 993	0.22									262 684 447	0.41
France	1 521 029 810	2.37	705 955 671	1.10	71 429 923	0.11							2 298 415 404	3.58
Germany	1 219 322 879	1.90	625 550 454	0.98	3 502 584	0.01							1 848 375 917	2.88
Ireland	64 368 630	0.10	41 077 393	0.06	84 221 715	0.13							189 667 738	0.30
Italy	205 787 735	0.32	447 516 624	0.70	25 433 766	0.04							678 738 125	1.06
Netherlands	416 163 137	0.65	330 717 901	0.52	57 480 989	0.09							804 362 027	1.25
Norway	32 343 890	0.05	153 601 834	0.24	106 807 456	0.17							292 753 181	0.46
Portugal	6 808 837	0.01											6 808 837	0.01
Spain	334 493 992	0.52	337 242 200	0.53									671 736 192	1.05
Sweden	402 002 707	0.63	330 373 022	0.52	88 010 603	0.14	11 594 606	0.02					831 980 938	1.30
Switzerland	919 410 171	1.43	45 037 343	0.07	70 817 197	0.11	(17 562)						1 035 247 149	1.61
United Kingdom of Great Britain and Northern Ireland	1 907 717 740	2.97	645 157 485	1.01	30 080 075	0.05	5 751 327	0.01	133 516 182	0.21	28 788 998	0.04	2 751 011 807	4.29
External small cap	972 775 679	1.52											972 775 679	1.52
Europe region									274 982 949	0.43	295 213 973	0.46	570 196 922	0.89
Subtotal	**8 301 559 433**	**12.94**	**4 042 553 455**	**6.30**	**541 000 193**	**0.84**	**152 835 874**	**0.24**	**408 499 131**	**0.64**	**324 002 971**	**0.51**	13 770 451 057	**21.47**
Europe (emerging markets)														
Czechia			110 321 344	0.17									110 321 344	0.17
Estonia			37 238 523	0.06									37 238 523	0.06
Hungary			86 370 629	0.13									86 370 629	0.13

Region	*Equities*	*Percentage*	*Fixed income*	*Percentage*	*Short-term*	*Percentage*	*Liquid*	*Percentage*	*Real assets*	*Percentage*	*Alternatives*	*Percentage*	*Total fund*	*Percentage*
Greece	111 043	–	–	–	–	–	–	–	–	–	–	–	111 043	–
Latvia	–	–	4 728 624	0.01	–	–	–	–	–	–	–	–	4 728 624	0.01
Poland	58 704 030	0.09	308 196 931	0.48	–	–	212 507	–	–	–	–	–	367 113 468	0.57
Turkey	32 722 550	0.05	–	–	–	–	3 002	–	–	–	–	–	32 725 552	0.05
Russian Federation	196 083 012	0.31	–	–	–	–	–	–	–	–	30 908 309	0.05	226 991 321	0.35
Subtotal	**287 620 635**	**0.45**	**546 856 051**	**0.85**	**–**	**–**	**215 509**	**–**	**–**	**–**	**30 908 309**	**0.05**	**865 600 504**	**1.35**
Asia and the Pacific (emerging markets)														
China	2 392 248 282	3.73	95 803 602	0.15	198 379 873	0.31	5 096 428	0.01	–	–	29 523 355	0.05	2 721 051 539	4.24
India	326 359 670	0.51	–	–	–	–	3 777	–	35 307 733	0.06	–	–	361 671 180	0.56
Indonesia	109 611 296	0.17	–	–	–	–	–	–	–	–	–	–	109 611 296	0.17
Republic of Korea	740 742 868	1.15	476 775 099	0.74	–	–	–	–	–	–	–	–	1 217 517 967	1.90
Malaysia	101 665 137	0.16	159 347 995	0.25	107 573 493	0.17	867 139	–	–	–	–	–	369 453 764	0.58
Philippines	79 186 230	0.12	–	–	–	–	495 139	–	–	–	–	–	79 681 369	0.12
Thailand	100 207 563	0.16	50 912 364	0.08	–	–	341	–	–	–	–	–	151 120 267	0.24
Subtotal	**3 850 021 045**	**6.00**	**782 839 060**	**1.22**	**305 953 366**	**0.48**	**6 462 824**	**0.01**	**35 307 733**	**0.06**	**29 523 355**	**0.05**	**5 010 107 383**	**7.81**
Asia and the Pacific														
Australia	857 819 209	1.34	275 449 490	0.43	9 557 304	0.01	21 767 595	0.03	108 669 494	0.17	–	–	1 273 263 092	1.99
Japan	2 909 527 154	4.54	2 403 638 793	3.75	16 198 410	0.03	24 896 528	0.04	129 138 796	0.20	–	–	5 483 399 682	8.55
New Zealand	–	–	34 463 030	0.05	–	–	117 802	–	–	–	–	–	34 580 831	0.05
Singapore	171 094 002	0.27	104 181 153	0.16	–	–	13 501	–	–	–	–	–	275 288 656	0.43
External small cap	227 627 182	0.35	–	–	–	–	–	–	–	–	–	–	227 627 182	0.35
Subtotal	**4 166 067 547**	**6.50**	**2 817 732 466**	**4.39**	**25 755 714**	**0.04**	**46 795 426**	**0.07**	**237 808 290**	**0.37**	**–**	**–**	**7 294 159 444**	**11.37**
Africa														
South Africa	306 842 681	0.48	–	–	–	–	13 992	–	–	–	–	–	306 856 673	0.48
Regional Africa	92 003 912	0.14	40 648 783	0.06	–	–	–	–	–	–	–	–	132 652 695	0.21
Subtotal	**398 846 593**	**0.62**	**40 648 783**	**0.06**			**13 992**						**439 509 368**	**0.69**
Latin America and the Caribbean														
Brazil	368 832 598	0.58	–	–	–	–	339 071	–	66 325 707	0.10	24 910 061	0.04	460 407 437	0.72
Chile	47 972 731	0.07	68 844 008	0.11	–	–	2 058 613	–	–	–	–	–	118 875 353	0.19
Colombia	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mexico	120 560 421	0.19	280 149 287	0.44	–	–	30 141	–	–	–	–	–	400 739 848	0.62
Peru	23 867 550	0.04	–	–	–	–	–	–	–	–	–	–	23 867 550	0.04
Subtotal	**561 233 300**	**0.88**	**348 993 295**	**0.54**	**–**	**–**	**2 427 825**	**–**	**66 325 707**	**0.10**	**24 910 061**	**0.04**	**1 003 890 188**	**1.57**
Middle East														
Israel	13 471 422	0.02	–	–	–	–	–	–	–	–	–	–	13 471 422	0.02
Kuwait	–	–	–	–	100 050 570	0.16	–	–	–	–	–	–	100 050 570	0.16
Qatar	24 709 536	0.04	–	–	90 038 991	0.14	–	–	–	–	–	–	114 748 527	0.18

Region	*Equities*	*Percentage*	*Fixed income*	*Percentage*	*Short-term*	*Percentage*	*Liquid*	*Percentage*	*Real assets*	*Percentage*	*Alternatives*	*Percentage*	*Total fund*	*Percentage*
United Arab Emirates	24 031 106	0.04	10 594 773	0.02	–	–	–	–	–	–	–	–	34 625 880	0.05
Saudi Arabia	–	–	84 287 742	0.13	–	–	–	–	–	–	–	–	84 287 742	0.13
Regional Middle East	54 902 369	0.09	–	–	–	–	–	–	–	–	–	–	54 902 369	0.09
Subtotal	**117 114 434**	**0.18**	**94 882 516**	**0.15**	**190 089 561**	**0.30**	–	–	–	–	–	–	**402 086 511**	**0.63**
Other														
Emerging markets	–	–	48 555 572	0.08	–	–	–	–	31 147 236	0.05	59 351 848	0.09	139 054 655	0.22
International	232 894 112	0.36	695 934 803	1.09	–	–	–	–	401 877 678	0.63	840 619 281	1.31	2 171 325 874	3.39
Regional Asia	–	–	38 920 496	0.06	–	–	–	–	322 432 828	0.50	191 241 070	0.30	552 594 394	0.86
Regional frontier	33 577 046	0.05	–	–	–	–	–	–	–	–	–	–	33 577 046	0.05
Subtotal	**266 471 158**	**0.42**	**783 410 872**	**1.22**	–	–	–	–	**755 457 742**	**1.18**	**1 091 212 198**	**1.70**	**2 896 551 970**	**4.52**
Total	39 772 555 202	**62.01**	15 327 746 108	**23.90**	**1 843 631 027**	**2.87**	**723 311 006**	**1.13**	**4 195 164 724**	**6.54**	**2 274 048 841**	**3.55**	64 136 456 908	**100.00**